

Corporate Credit Rating

New Update

Sector: Wholesale Trading

Publishing Date: May 22, 2023

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A+ (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

Doğuş Otomotiv Servis ve Ticaret A.Ş.

JCR Eurasia Rating, has evaluated the "Doğuş Otomotiv Servis ve Ticaret A.Ş." in the investment-level category and affirmed the Long-Term National Issuer Credit Rating at 'A+ (tr)' and the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Doğuş Otomotiv Servis ve Ticaret A.Ş. ("Doğuş Otomotiv" or "the Company") was established on November 24, 1999 as a distributor of Volkswagen AG, and its activities include importing, marketing and selling automobiles and spare parts of Volkswagen Group brands, e.g. VW, Audi, Seat, Porsche, Bentley, Lamborghini and Scania, Scania Power Solutions and also Thermoking climate control systems. With a 50% interest in Yüce Auto Motorlu Araçlar Ticaret A.Ş. ("Yüce Auto"), the Distributor of Skoda brand, the Company exercises a significant influence but no control on the operations of Yüce Auto. Since the beginning of 2021 the Company also operates in maritime industry in the field of after sales services and spare parts with Doğuş Marine Services business unit. The Company also operates in the used car market across Türkiye throughout its dealer network under the brand name "DOD". The shares of the Company have been traded on Borsa İstanbul A.Ş. ("BIST") since June 2004.

The Company's main controlling shareholder is Doğuş Holding A.Ş. with 75.27% share and 10% of shares is owned by the Company itself. Shares were bought back in 2016. The remaining shares are traded in BIST. The average number of personnel working during the period is 740 for blue-collar employees and 1,389 for white-collar employees as of FYE2022.

Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Noticeable increase in operational profitability margins in FY2022 and 1Q2023 thanks to the live demand conditions,
- The conservations in financing expenses by dint of the decline in net debt level in FY2022 contributed to the high bottom line performance and strong leverage metrics accordingly,
- Improved liquidity indicators reinforced by reasonable level of cash and cash equivalents,
- FX-denominated deposits conducting to currency management, despite high imports,
- Sustaining the collection ability of receivables, by virtue of the factoring system through the group company,
- The advantage of being the main distributor of brands that have formidable forte in the market,
- High level of compliance with Corporate Governance Practices.

Constraints

- Acquisition of Doğuş REIT shares from the umbrella company may cause concessions from prudent financial stance, though it may increase operational efficiency,
- Operating only in the domestic market, where tax regulations, exchange rate fluctuations and purchasing power are key determinants,
- Global chip shortages and supply-chain bottlenecks stand out as a potential risk ahead for the industry,
- The competitive structure of the sector may cause fluctuations in profitability and market share.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at 'A+ (tr)'. Growth in the sales volume and profitability, trend in brand portfolio and brand recognition in the sector, strong cash flow metrics as well as recent share acquisition with increasing indebtedness level have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Company's revenue and profitability performance, trend of trade receivables, impacts of the TRY's depreciation on activities will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

